

**TESTIMONY OF CHARLES J. WILLOUGHBY  
INSPECTOR GENERAL  
BEFORE THE D.C. COUNCIL COMMITTEE ON HEALTH  
  
AUDIT OF THE DEPARTMENT OF HEALTH HIV/AIDS  
ADMINISTRATION OFFICE  
  
OCTOBER 7, 2005**

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Good morning Chairman Catania and members of the Committee. I appreciate the opportunity to appear before the Committee on Health to share with you the results of the Office of Inspector General's (OIG) Audit of the Department of Health HIV/AIDS Administration Office (HAA) that was released on June 22, 2005. Seated with me are William J. DiVello, Assistant Inspector General for Audits; and LaDonia Wilkins, Audit Director. My testimony will briefly summarize the conditions we first reported to this Committee on March 17, 2005. Additionally, I will outline the recommendations made to the Department of Health (DOH) to correct the noted deficiencies. I will also describe the audit objectives, scope, and methodology employed by the OIG to evaluate the efficiency and effectiveness of HAA's management and administration of grants funds awarded to subgrantees.

Since the issuance of our June 22, 2005, report, we have met with DOH representatives on various matters, to include discussions of HAA. We are encouraged by DOH's responsiveness to the audit report. However, management's commitment to follow through on implementing the recommendations is key to making operational and program improvements.

### **OBJECTIVES, SCOPE, AND METHODOLOGY**

Our audit objectives were to determine whether HAA: (1) managed and used resources in an efficient, effective, and economical manner; (2) complied with requirements of applicable laws, regulations, policies, and procedures; and (3) implemented adequate internal controls to safeguard against fraud, waste, and abuse.

To accomplish our objectives, we held interviews and discussions with HAA management and administrative staff to gain a general understanding of the policies and procedures and other controls used by HAA in the management of grant funds. We also conducted interviews with the Co-Chair of the Ryan White Title I Planning Council and a representative from the DC Primary Care Association. We examined and analyzed financial and monitoring

records, contacted several subgrantees, and conducted site visits of subgrantees.

## **AUDIT FINDINGS**

The audit contained four findings, which are summarized below, and include our recommendations and management's actions taken or planned in response to the recommendations.

### **FINDING 1: Grant Monitoring**

We found that the Grant Management Division did not adhere to existing policies and procedures for monitoring HIV/AIDS grant-funded programs, to include: (1) performing timely required site visits; (2) preparing site visit reports; (3) documenting reports timely and accurately; (4) maintaining accurate and current contact information; (5) maintaining complete and updated subgrantee files; and (6) ensuring subgrantee service deliverables. Additionally, the Grant Management Division did not implement adequate controls regarding monitor training and a complaint/resolution process. Ultimately, these deficiencies could result in the failure of subgrantees to provide needed services to a vulnerable population.

## FINDING 2: HAA'S GRANT AWARD PROCESS

HAA's award process did not provide sufficient management controls to ensure that HIV/AIDS grants are awarded to qualified providers/subgrantees. Specifically, HAA awarded grant funding to subgrantees that did not have the appropriate or valid licenses to conduct business in the District of Columbia. Further, HAA did not always identify subgrantees that were eligible for Medicaid certification. As a result, HAA used HIV/AIDS grant funding before first using available Medicaid funding. These conditions existed because HAA's procedures for awarding grants did not include written policies or established practices to ascertain whether potential subgrantees possessed proper District licensure, and other qualifications, including eligibility for Medicaid certification. As a result, there is no assurance that these subgrantees are providing District residents services to which they were entitled in a manner consistent with District laws, rules, and regulations. Lastly, by not using available Medicaid funding, the District lost the opportunity to receive \$1.1 million in revenue that could have been used for HAA programs.

### FINDING 3: SUBGRANTEE REIMBURSEMENTS

HAA did not fully comply with applicable program guidelines in providing timely reimbursements to subgrantees. In some instances, reimbursements to subgrantees took more than 90 days, 60 days past the 30-day requirement. Untimely reimbursement occurred because HAA's management failed to require adherence to the procedures outlining the vendor payment process and the importance of providing subgrantees with timely reimbursements. HAA also could not provide supporting documentation for some reimbursements provided to subgrantees.

### FINDING 4: RECORDING AND PROCESSING OF GRANT FUNDING

HAA's controls over grant funding and grant expenditures were inadequate. HAA was unable to validate the accuracy of grant expenditures under our review. We found instances where HAA apparently overstated and understated grant funds because HAA did not properly or accurately record revenue and expenditures. We were unable to determine the accurate amount of disbursements, and HAA was unable to provide supporting documentation that would show the completeness and accuracy of recorded transactions. We believe that HAA's inability to identify expenditures leaves grant funds susceptible to commingling and misrepresentation, which

would violate the terms of the grant agreements. In addition, HAA's lack of controls over grant funds and expenditures could result in the use of these funds for other than their intended purposes.

## **RECOMMENDATIONS AND MANAGEMENT RESPONSES**

We directed 16 recommendations to DOH that centered in part on:

(1) developing policies and procedures that require HAA to ensure that subgrantees applying for grant funding have valid Articles of Incorporation and/or valid business licenses, and that HAA is the payer of last resort for subgrantees that are Medicaid-eligible; (2) adherence to the D.C. Code, District regulations, and agency policies and procedures in the administration of grant funds; (3) ensuring timely reimbursements to subgrantees; (4) implementing internal controls to ensure that subgrantees are monitored and managed effectively and efficiently; and (5) providing fiscal accountability over grant budgets and expenditures.

### **DOH Response:**

Stating the specific actions taken or planned to correct the deficiencies, DOH's response fully addressed all but two of the recommendations.

DOH's actions include performing required site visits on a quarterly basis, hiring personnel to be trained on financial and procurements systems, and improving the time it takes to process invoices submitted to HAA for reimbursement.

Lastly, we requested that DOH reconsider its response to two of our recommendations: (1) implementing a reporting requirement documenting that grant monitors are performing the required number of site visits and that site visits are documented timely for each subgrantee; and (2) developing a process to account for individual subgrantee reimbursements recorded in the District's financial system that would identify and track reimbursements made to subgrantees.

Thank you for providing me the opportunity to share the results of our audit with you. At this time, my colleagues and I will be happy to answer your questions.